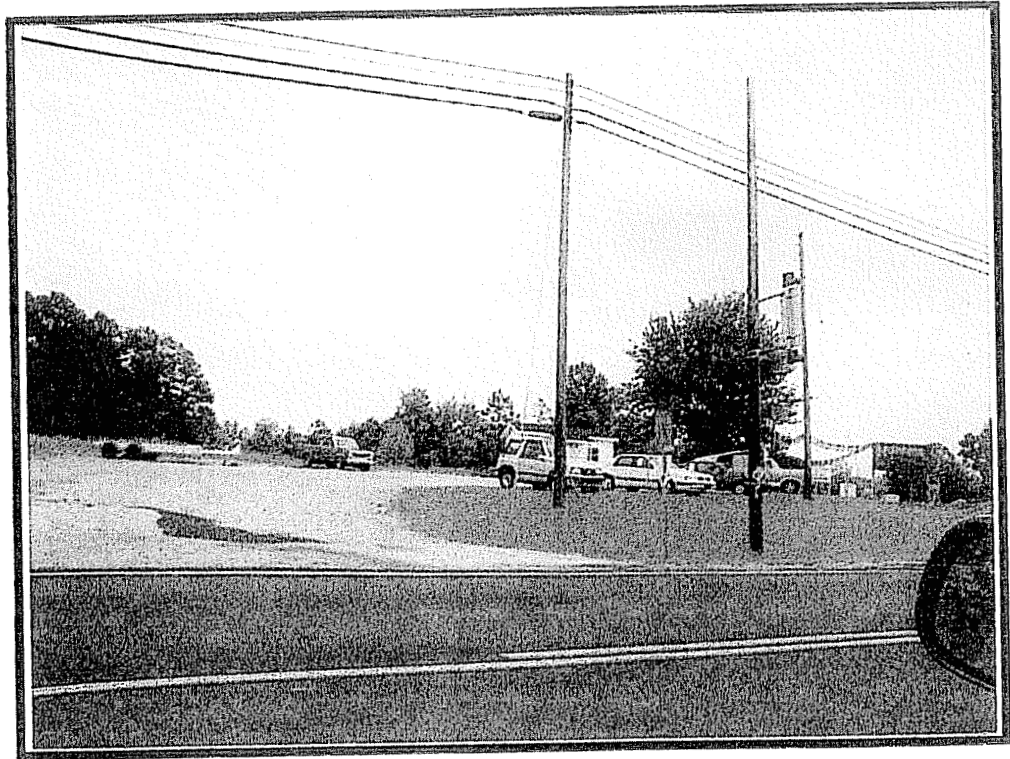


Sales Comparison Approach (Land)-Sale # 1

Grantor:	Jerry C. Stephens
Grantee:	Shelva J. Jones
Date of Sale:	4/20/99
Sales Price:	\$200,000
Size of Tract:	2.07 Acres
\$/Acre:	\$96,618/acre
Location:	S US 27 & KY 92 Pine Knot, KY 4-5 miles south
Improvements:	Vacant
Data Source:	Deed Book 149 Page 381, PVA & site visit



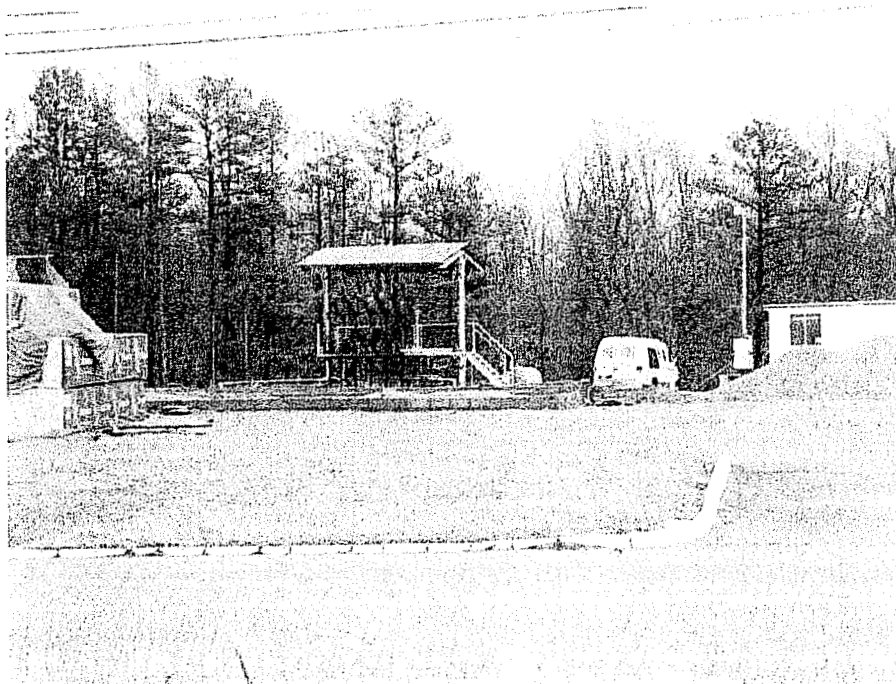
Sales Comparison Approach (Land)-Sale # 2

Grantor:	Roy R. Jones and Jennifer Jones, his wife
Grantee:	Kirby Cordell and Kimberly Cordell, his wife
Date Of Sale:	8/31/00
Sales Price:	\$150,000.00
Size Of Tract:	0.61 Acres
\$ Per Acre:	\$245,902/acre
Location:	US 27 500-750 feet south
Improvements:	C-Store (Razed)
Data Source:	Deed Book 154 Page 519, owner, appraisal records & site visit.



Sales Comparison Approach (Land)-Sale # 2

Grantor:	Roy R. Jones and Jennifer Jones, his wife
Grantee:	Kirby Cordell and Kimberly Cordell, his wife
Date Of Sale:	8/31/00
Sales Price:	\$150,000.00
Size Of Tract:	0.61 Acres
\$ Per Acre:	\$245,902/acre
Location:	US 27 500-750 feet south
Improvements:	C-Store (Razed)
Data Source:	Deed Book 154 Page 519, owner, appraisal records & site visit.



Sales Comparison Approach (Land)-Sale # 3

Grantor: Marcus Corder

Grantee: Kirby & Kimberly Cordell

Date of Sale: 8/31/00

Sales Price: \$70,000

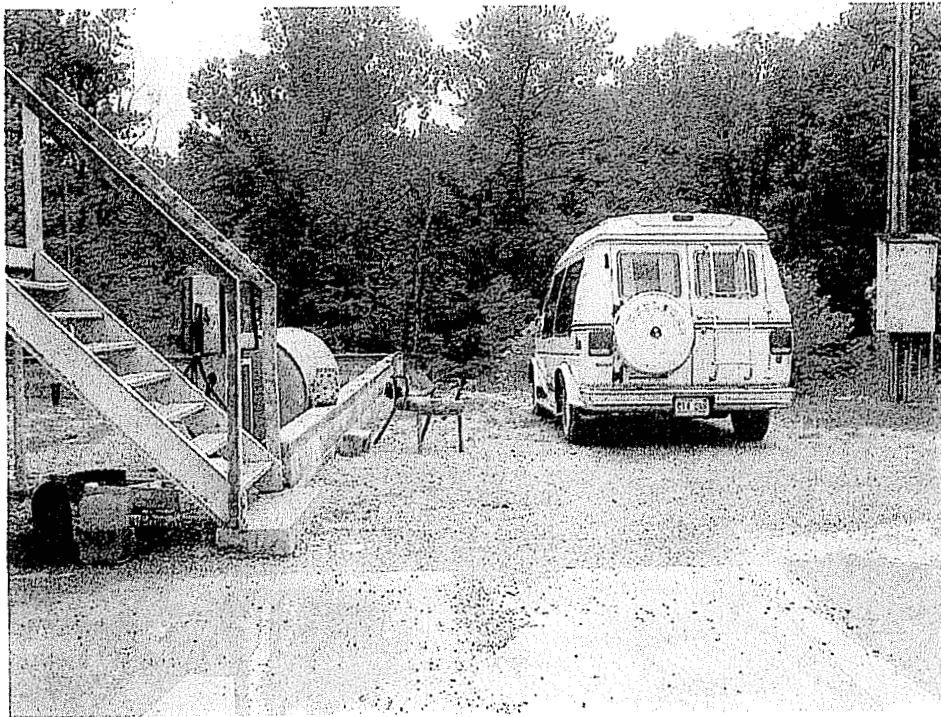
Size of Tract: 1.0 Acres

\$/Acre: \$70,000/acre

Location: Off US 27
500-750 feet south

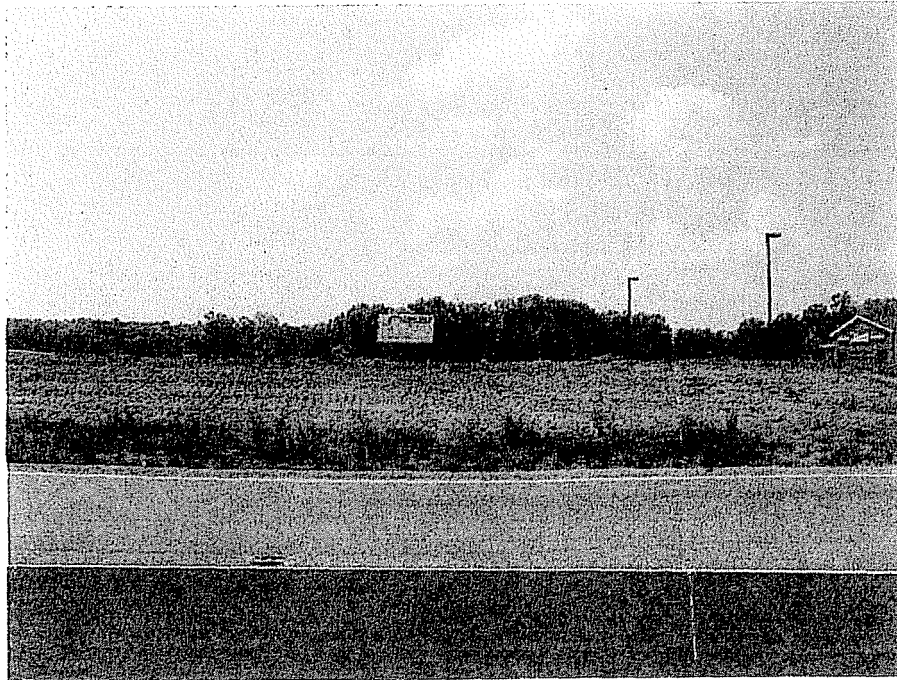
Improvements: The site was improved with underground and aboveground tanks, since removed.

Data Source: Deed Book 154 Page 526, appraisal files, & site visit



Sales Comparison Approach (Land)-Sale # 4

Lessor:	R. G. Stephens, Inc. Jennifer Jones, his wife
Lessee:	Bank of McCreary County
Date Of Lease Agreement:	8/01
Sales Price:	30 Years prepaid for \$250,000.00
Size Of Tract:	1.10 acres
\$ Per Acre:	\$227,273/acre
Location:	US 27 300 feet northeast
Improvements:	Vacant
Data Source:	Unrecorded Lease, Lessor, & site visit.



Correlation Grid

The correlation grid recites sales of properties most similar to subject that have been considered in the market analysis.

ITEM	SUBJECT	COMP 1	COMP 2	COMP 3	2 & 3	COMP 4
Address	N Hwy 27 Whitley City	US 27 Pine Knot	US 27 Whitley City	Off US 27 Whitley City		US 27 Whitley City
Proximity		4-5 Miles South	1/4 - 1/2 North	1/4 - 1/2 North		1/2 - 1 Mile North
Sales Price		\$200,000.00	\$150,000.00	\$70,000.00	\$220,000.00	\$250,000.00
Adjustment	Tank Removal			\$15,000.00	\$15,000.00	
Adjusted Sales Price				\$85,000.00	\$235,000.00	
Lot Size (Acres)	1	2.070	0.650	1.000	1.650	1.100
\$/Acre		\$96,618.36	\$230,769.23	\$85,000.00	\$133,333.33	\$227,272.73
Data Source		DB 149 Pg 381	DB 154 Pg 519	DB 154 Pg 526		Lease
Verified		Site Visit/PVA	Owner/Site Visit	Owner/Site Visit		Lessor/Site Visit
Date of Sale		4/20/1999	08/31/00	08/31/00		08/01/03
Location	Good	Good	Good	Average		Good
Topography	Level	Level	Level	Level-Rolling		Level-Rolling
Indicated Price		\$96,618.36	\$230,769.23	\$85,000.00	\$133,333.33	\$227,272.73

Comments on Sales Comparison Approach-Land

The Market Data represents similar tracts from the similar areas of the county and supports the value well. The distance from the subject, condition, location and improvements have been considered in the valuation process. All sales are closed.

Comparable Sale # 1 sold for \$200,000 for 2.07-acres or \$96,618.36 per acre. The tract was purchased with another parcel (\$125,000-0.236 acres ~ \$529,661 per acre) for a combined total of \$325,000 for 2.306 acres or \$140,936.69/Acre. It

Comparable Sale # 4 sold for \$150,000 for 0.65-acre or \$230,769.23 per acre. The site was improved with a convenience store, gas pumps and canopy, that were razed. The tract is the front portion of the Long John Silvers/Pizza Inn.

Comparable Sale # 5 sold for \$70,000 for 1.0-acre or \$70,000 per acre. The site was improved with underground and aboveground tanks, that were removed at a cost of \$15,000. The tract is the rear portion of the Long John Silvers/Pizza Inn.

Comparable Sale # 6 was leased to The Bank of McCreary County for an initial 30-year term for \$250,000, with options for four 5-year terms. Based upon the 361st payment of \$4,000, and the 10% increase after this term, the initial payment would be \$2,125.76 per month, and adjusting the payment upwards 10% every 60 month, the total payments would be \$1,012,087.20. The recapture for the first 120-months would have been \$269,263.20 for the 1.10 acres or \$244,784.73 per acre. The ground lease for the Post Office started at \$31,512 per annum for the first 120 years. This would equal a total of \$315,120.00 for the 1.39 acres or \$226,705.04 per acre.

- **Summary**

The property is located on Hwy 700 and would be considered second tier property. Typical second tier property sells for ¼ to ½ of the road front property. In a typical market where the demand and supply were in equilibrium, one would expect the market value a typical acre tract to be in the \$75,000 to \$125,000 acre range. The two key components that must be thoroughly understood before it is possible to develop the proper value judgments and selection of the appropriate comparable data: supply and demand and highest and best use. The highest and best use normally would not be covered in the appraisal because of the nature of the appraised parcel, vacant land, but the future use of the tract (Office & Pole Yard) and the impact that this use will have on the amount of on-site traffic generated by the building for the remaining development. The developer would want an owner/tenant that would generate consistent traffic flow for the development at all times.

The supply and demand is a factor that must be dealt with also. The four components of supply and demand are: utility, scarcity, desire and effective purchasing power. Utility-the ability of a product to satisfy a human want, need or desire- and scarcity- the present, or anticipated supply of an item relative to the demand for it- are supply factors while desire-a purchaser's desire for an item to satisfy human needs or individual wants beyond the essentials required to support life- and effective

purchasing power-the ability of an individual or group to participate in a market- are demand factors.

The desire of South Kentucky RECC is to be on/near Hwy 27 near its present operation. Its present operation is located within ¼ mile from the proposed site. The supply of available tracts on Hwy 27 is very limited. All available vacant tracts are part of the Oaks Development. There are no tracts with older buildings that contribute little to the overall sales price of the tract-where the client could purchase the property and raze the building. Utility-the appraised tract is in/near the location desired by the client, and has all available utilities as any tract upon 27, along with good accessibility and last is the effective purchasing power of the client-equal to that of any other potential national or regional purchaser. The lessor was developing this section of the Oaks Development in the medical field, and has plans to bring in a pharmacy, build another building similar to the present one, and make this section of the oaks into a office/medical park. The partial use of the property as a pole yard would not be its highest and best use, and could be seen as a deterrent to potential lessees.

The comparables range from \$85,000 to \$230,769 per acre. Taking the various comparables into account, a dollar per acre price of the land as though vacant and ready fro development would \$125,000 per acre.

The Sales Comparison Approach Indicates a Value of \$125,000 per acre*

*This value is for the land as though vacant, and available for sale with a fee simple estate.

Lease Payment-Typical leases are based upon the value of the land, with annual payments equaling 1/7 to 1/12 of is value. The typical market price is 1/10 of initial land value. Initial lease payments would equal:

\$125,000	Annual Payment	Monthly Payment
Based on 7-Year Payout	\$17,857.14	\$1,488.10
Based on 10-Year Payout	\$12,500.00	\$1,041.67
Based on 12-Year Payout	\$10,416.67	\$868.06

Most leases have provisions where the rent is adjusted. Rents can be adjusted annually, biannually, every five years, etc. Most adjustments are based upon the Consumer Price Index published by the Department of Labor.

The Consumer Price Index for past 10 years has been:

<i>Consumer Price Index</i>	
<i>Year</i>	<i>%</i>
1993	2.7%
1994	2.7%
1995	2.5%
1996	3.3%
1997	1.7%
1998	1.6%
1999	2.7%
2000	3.4%
2001	1.6%
2002	2.4%

The CPI has ranged from 1.6% in 1998 and 2001 to 3.4% in 2000. The mean for the past 10 years is 2.5%. For the past five years, the mean is 2.3%.

If the initial rent is adjusted every year based upon the CPI, A typical increase for the past five years would have been:

Initial Lease Payment		7 Year	10 Year	12 Year
1998	1.60%	\$17,857.14	\$12,500.00	\$10,416.67
1999	2.70%	\$18,142.85	\$12,700.00	\$10,583.34
2000	3.40%	\$18,632.71	\$13,042.90	\$10,869.09
2001	1.60%	\$19,266.22	\$13,486.36	\$11,238.64
2002	2.40%	\$19,574.48	\$13,702.14	\$11,418.45
		\$20,044.27	\$14,030.99	\$11,692.50

The increase in rents would be approximately 12% for the past five years based upon increase utilizing the CPI.

A thirty-year lease, with the rent adjusted every five-years based upon the CPI would have these annual payment:

@1.6% per annum	7 Year	10 Year	12 Year
1-5 Years	\$17,857.14	\$12,500.00	\$10,416.67
6-10 Years	\$19,285.71	\$13,500.00	\$11,250.00
11-15 Years	\$20,828.57	\$14,580.00	\$12,150.00
16-20 Years	\$22,494.85	\$15,746.40	\$13,122.00
21-25 Years	\$24,294.44	\$17,006.11	\$14,171.76
26-30 Years	\$26,238.00	\$18,366.60	\$15,305.51
Total	\$654,993.56	\$458,495.56	\$382,079.76

@2.3% per annum	7 Year	10 Year	12 Year
1-5 Years	\$17,857.14	\$12,500.00	\$10,416.67
6-10 Years	\$19,910.71	\$13,937.50	\$11,614.59
11-15 Years	\$22,200.44	\$15,540.31	\$12,950.26
16-20 Years	\$24,753.49	\$17,327.45	\$14,439.54
21-25 Years	\$27,600.15	\$19,320.11	\$16,100.09
26-30 Years	\$30,774.16	\$21,541.92	\$17,951.60
Total	\$715,480.48	\$500,836.42	\$417,363.81

@3.4% per annum	7 Year	10 Year	12 Year
1-5 Years	\$17,857.14	\$12,500.00	\$10,416.67
6-10 Years	\$20,892.85	\$14,625.00	\$12,187.50
11-15 Years	\$24,444.64	\$17,111.25	\$14,259.38
16-20 Years	\$28,600.23	\$20,020.16	\$16,683.47
21-25 Years	\$33,462.27	\$23,423.59	\$19,519.66
26-30 Years	\$39,150.85	\$27,405.60	\$22,838.01
Total	\$822,039.89	\$575,428.02	\$479,523.50

Analysis of Lease

The proposal is for the property to be leased for 30-years. The goal is to reduce this income stream to a value today, or to utilize the net present value function to establish a value of the income stream. Spreadsheet programs like Excel 2000 and financial calculators like the HP-12C can produce such values. The main problem is determining an adequate yearly rate of return for the equation. Alternate bands of investments have a key role in this equation. The investor looking into the income stream produced by net operating income the lease would have several alternative investments to invest their money and this figures into the annual rate of return to use in the equation.

Alternative investments would include, 90 day treasury bills, Certificate of Deposits, 1, 10, and 30-year Treasury Bills, and long term industrial bonds.

The various investments are producing the following rates, as reported by the Finance Section of the Yahoo.com website on the 14th of May 2003. They are:

	Latest Week %	Week Ago %	Month Ago %
90-Day T Bills	0.95	1.00	1.07
5 Year T-Bills	2.47	2.52	2.94
10 Year T-Bills	3.60	3.67	4.01
30 Year T-Bills	4.60	4.67	4.97
10 Year AAA Municipal Bonds	3.11	3.30	3.50
20 Year AAA Municipal Bonds	4.08	4.18	4.35
10 Year AAA Corporate Bonds	4.14	4.31	4.64
20 Year AAA Corporate Bonds	5.11	5.15	5.46

Net present values of different lease scenarios would be:

Net Present Value based upon initial lease payment with 1.6% annual increase for 30 years for 1-acre.

Initial Lease Payments		\$17,857.14	\$12,500.00	\$10,416.67
Total-30 Years		\$654,993.56	\$458,495.56	\$382,079.76
	Annual	NPV with 1.6% Annual Increase		
90-Day T Bills	0.95%	\$561,618.39	\$393,132.93	\$327,610.83
30 Year T-Bills	4.50%	\$338,784.70	\$237,149.32	\$197,624.47
20 Year AAA Muni Bonds	4.08%	\$357,708.71	\$250,396.14	\$208,663.48
20 Year AAA Corporate Bonds	5.11%	\$313,837.71	\$219,686.43	\$183,072.05
	6.00%	\$282,118.70	\$197,483.12	\$164,569.29
	8.00%	\$226,646.94	\$158,652.88	\$132,210.76

Net Present Value based upon initial lease payment with 2.3% annual increase for 30 years for 1-acre.

Initial Lease Payments		\$17,857.14	\$12,500.00	\$10,416.67
Total-30 Years		\$715,480.48	\$500,836.42	\$417,363.81
	Annual	NPV with 2.3% Annual Increase		
90-Day T Bills	0.95%	\$608,508.25	\$425,955.89	\$354,963.26
30 Year T-Bills	4.50%	\$360,909.32	\$252,636.58	\$210,530.50
20 Year AAA Muni Bonds	4.08%	\$381,805.62	\$267,264.00	\$222,720.02
20 Year AAA Corporate Bonds	5.11%	\$333,413.72	\$233,389.66	\$194,491.40
	6.00%	\$298,550.07	\$208,985.10	\$174,154.27
	8.00%	\$237,897.19	\$166,528.07	\$138,773.41

Net Present Value based upon initial lease payment with 3.4% annual increase for 30 years for 1-acre.

Initial Lease Payments		\$17,857.14	\$12,500.00	\$10,416.67
Total-30 Years		\$822,039.89	\$575,428.02	\$479,523.50
	Annual	NPV with 3.4% Annual Increase		
90-Day T Bills	0.95%	\$697,246.18	\$488,072.39	\$406,727.09
30 Year T-Bills	4.50%	\$404,067.11	\$282,847.02	\$235,705.90
20 Year AAA Muni Bonds	4.08%	\$428,614.21	\$300,029.98	\$250,025.04
20 Year AAA Corporate Bonds	5.11%	\$371,844.40	\$260,291.11	\$216,909.31
	6.00%	\$331,129.36	\$231,790.58	\$193,158.86
	8.00%	\$260,768.05	\$182,537.66	\$152,114.75

Taking into account the nature of the income stream and the lessee, a rate similar to those in the corporate bond market would be expected.

The scenario that would be most similar to market reality would be initial lease of \$12,500 per acre, with annual increases based upon the mean CPI for the last five years (2.3%), thus resulting in a net present value of \$208,985 to \$267,264 per acre, Say \$240,000.


The Net Present Value of One-acre for a thirty-year leasing period would be \$240,000 per acre.

Reconciliation

The Sales Comparison Approach has indicated a fee simple value of **\$125,000** for a **1.0-acre** tract. The Net Present Value of this 1.0 acre based upon a thirty year leasing period would be \$240,000 per acre.

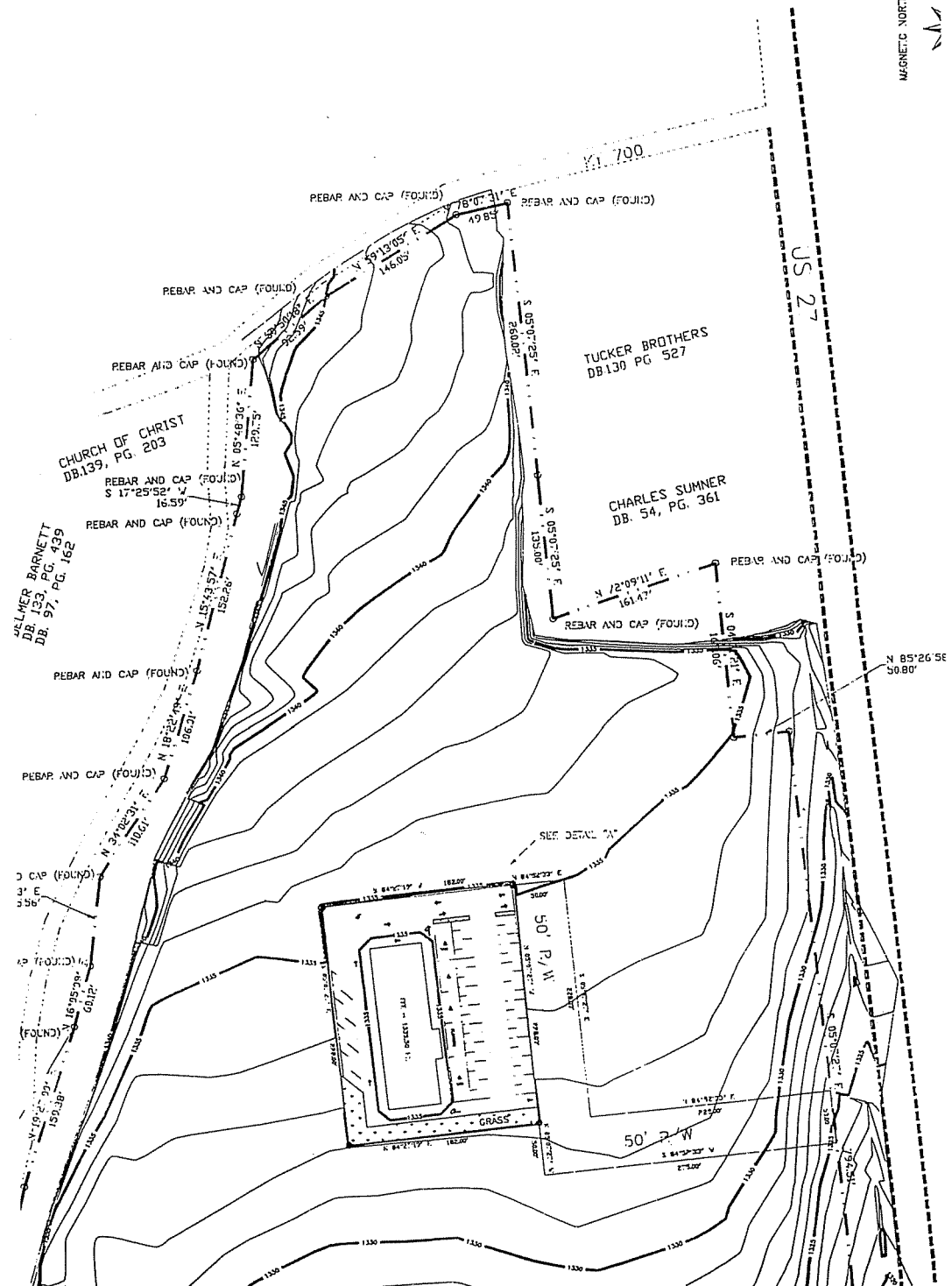
Recap

Fee Simple price Per Acre:	\$125,000
Initial Lease Payment (Annual)	\$12,500
Net Present Value per acre based upon 30 year lease	\$240,000



Clifford L. Childers
General Real Property Appraiser
License # 0615

ADDENDA



General Underlying Assumptions

Legal Matters

The legal description used in this report is assumed to be correct, but it may not necessarily have been confirmed by survey. No responsibility is assumed in connection with a survey or for encroachments or overlapping or other discrepancies that might be revealed thereby. Any sketches included in the report are only for the purpose of aiding the reader in visualizing the property and are not necessarily a result of a survey.

No responsibility is assumed for an opinion of legal nature, such as to ownership of the property or condition of title.

The appraisers assume the title to the property to be marketable; that, unless stated to the contrary, the property is appraised as an unencumbered fee which is not used in violation of acceptable ordinances, statutes or other government regulations.

Unapparent Conditions

The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable than otherwise comparable property. The appraisers are not experts in determining the presence or absence of hazardous substance, defined as all hazardous or toxic materials, water, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property.

The appraisers assume no responsibility for the studies or analysis which would be required to conclude the presence or absence of such substance or for loss as a result of the presence of such substances. The client is urged to retain an expert in this field, if desired. The value estimate is based on the assumption that the subject property is not so affected.

Information & Data

Information, estimates, and opinions furnished to the appraisers and contained in the reports, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers.

All mortgages, liens, encumbrances, and servitudes have been disregarded unless so specified within the appraisal report.

Contingent and Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraiser in the report.

1. The appraiser assumes no responsibility for matters legal in nature affecting the property appraised or the title thereto nor does the appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
3. The appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefore.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the appraiser and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraiser can be assumed by the appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Uniform Standards of Professional Appraisal Practice (USPAP).
8. Neither all, nor any part of the contents of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to the appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if the appraisal fee is paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, any state or federally approved financial institutions, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the appraiser.
9. On all appraisals, subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner.

Environmental Disclaimer

The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value.

Certification

The appraiser certifies and agrees that:

1. The appraiser has no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The appraiser has no personal interest in or bias in respect to the subject matter of the appraisal report or the participants to the sale. The "estimated of market value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The appraiser has personally inspected the property, both inside and out, and has made an exterior inspection of all comparable sales listed in the report. To the best of the appraiser's knowledge and belief, all statements and information in this report is true and correct and the appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions Contained in the report).
5. This appraisal report has been made in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), and is subject to, the requirements of the code of professional ethics and standards of the Uniform Standards of Professional Appraisal Practice (USPAP).
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the appraiser whose signature appears on the appraisal report, unless indicated as "review appraiser". No change of any item in the appraisal report shall be made by anyone other than the appraiser, and the appraiser shall have no responsibility for any such unauthorized change.

The subject property is appraised as though under responsible ownership and competent management.

Zoning and Licenses:

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconforming use have been stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the subject property complies with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the valuation.

It is assumed that the information relating to the location of or existence of public utilities that has been obtained through a verbal inquiry from the appropriate utility authority, or has been ascertained from visual evidence is correct. No warranty has been made regarding the exact location or capacities of public utility systems.

It is assumed that all licenses, consents or other legislative or administrative authority from local, state, or national governmental or private entity or organization have been, or can be, obtained or renewed for any use on which the value estimate contained in the valuation report is based.

General Limiting Conditions

The appraisers will not be required to give testimony or appear in court due to preparing the appraisal with reference to the subject property in question, unless prior arrangements have been made.

Possession of the report does not carry with it the right of publication. Out-of-context quoting from or partial reprinting of this appraisal report is not authorized. Further, neither all nor part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this appraisal report.

Any copy that does not have an original signature of the appraiser is unauthorized and may have been altered, and is considered invalid.

Disclosure of the contents of this report is governed by the Standards and Statements of the Uniform Standards of Professional Appraisal Practice (USPAP). Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, new media, sales media or any other public means of communication without the prior written consent and approval of the author.

The distribution of the total valuation in this report, between land and improvements, is applicable only as a part of the whole property. The land value, or the separate value of the improvements, must not be used in conjunction with any other appraisal or estimate and is invalid if so used.

No environmental or concurrent impact studies were either required or made in conjunction with the appraisal report. The appraisers, thereby, reserve the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental or concurrent impact studies, research or investigation.

An appraisal related to an estate in land that is less than the whole fee simple estate applies only to the fractional interest involved. The value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate considered as a whole.

The appraisal report related to a geographical portion of a larger parcel is applied only to such geographical portion and should not be considered as applying with equal validity to other portions of the large parcel or tract. The value for such geographical portions plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as an entity.

The appraisal is subject to any proposed improvements or additions being completed as set forth in the plans, specifications, and representations referred to in the report, and all work being performed in a good and workmanlike manner. The appraisal is further subject to the proposed improvements or additions being constructed in accordance with the regulations of the local, county, and state authorities. The plans, specifications, and representations referred to are an integral part of the appraisal report when new construction or new additions, renovations, refurbishing, or remodeling applies.

If the appraisal is used for mortgage loan purposes, the appraisers invite attention to the fact that

1. the equity case requirements of the sponsor have not been analyzed,
2. the loan ratio has not been suggested, and
3. the amortization method and term have not been suggested.

The function of this report is not for use in conjunction with a syndication of real property. This report cannot be used for said purposes and, therefore, any use of this report relating to syndication activities is strictly prohibited and unauthorized. If such an unauthorized use of this report takes place, it is understood and agreed that Childers' Financial Services has no liability to the client/and or third parties.

Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general underlying assumptions and general limiting conditions. The appraisers' duties, pursuant to the employment to make the appraisal, are complete upon delivery and acceptance of the appraisal report. However, any corrections or errors should be called to the attention of the appraisers within 60 days of the delivery of the report.

MARKET AND COST DATA SOURCES

STATE SOURCES, TYPES AND AVAILABILITY OF DATA AND HOW MAINTAINED

PVA Records, MLS-Where Available, & Real Estate Brokers are the sources of our information, with all data verified by deeds and grantors when possible, and maintained at our offices in files and computer databases.

DO YOU USE LOCAL MLS DATA? Yes

EXPERIENCE REFERENCES

TO SUMMARIZE YOUR EXPERIENCE, LIST CLIENTS AND EMPLOYERS (MORTGAGE LENDERS, PRIVATE MORTGAGE INSURERS, SECONDARY MORTGAGE PURCHASERS, AND GOVERNMENTAL AGENCIES) THAT HAVE ACCEPTED YOUR APPRAISAL REPORTS AND MAY BE CONTACTED. PLEASE MAKE CERTAIN YOUR REFERENCE INFORMATION (ADDRESSES, TELEPHONE NUMBERS, ETC.) IS CURRENT. GIVE PRIORITY TO CLIENTS FOR WHICH YOU APPRAISED RESIDENTIAL PROPERTY FOR THE PURPOSE OF CONVENTIONAL MORTGAGE FINANCING.

1	NAME OF FIRM <u>Alliance Bank, fsb</u>	TITLE <u>Senior Lending Officer</u>	TYPE OF BUSINESS <u>Bank</u>
	PERSON TO CONTACT <u>Bill Jasper</u>	AREA CODE & TELEPHONE NO. <u>606/679-4375</u>	
	STREET ADDRESS (City, State, Zip Code) <u>124 N Main Street Somerset, KY 42501</u>	TYPE OF PROPERTY APPRAISED, DATE & VALIDATION <u>Commercial/Residential 1991-Present</u>	
2	NAME OF FIRM <u>Monticello Banking Company</u>	TITLE <u>Vice President</u>	TYPE OF BUSINESS <u>Bank</u>
	PERSON TO CONTACT <u>Regina Brinson</u>	AREA CODE & TELEPHONE NO. <u>606/451-0833</u>	
	STREET ADDRESS (City, State, Zip Code) <u>340 Clifty Street, Suite 2 Somerset, KY 42501</u>	TYPE OF PROPERTY APPRAISED, DATE & VALIDATION <u>Commercial/Residential 1998-Present</u>	
3	NAME OF FIRM <u>Bank of Mt. Vernon</u>	TITLE <u>Loan Officer</u>	TYPE OF BUSINESS <u>Bank</u>
	PERSON TO CONTACT <u>Ron White</u>	AREA CODE & TELEPHONE NO. <u>606/679-8826</u>	
	STREET ADDRESS (City, State, Zip Code) <u>2070 S US 27 Somerset, KY 42501</u>	TYPE OF PROPERTY APPRAISED, DATE & VALIDATION <u>Commercial/Residential 1996-Present</u>	
4	NAME OF FIRM <u>Community Trust Bank, fsb</u>	TITLE <u>Commercial Lending Off</u>	TYPE OF BUSINESS <u>Bank</u>
	PERSON TO CONTACT <u>John Brainard</u>	AREA CODE & TELEPHONE NO. <u>606/679-8446</u>	
	STREET ADDRESS (City, State, Zip Code) <u>3809 S US 27 Somerset, KY 42501</u>	TYPE OF PROPERTY APPRAISED, DATE & VALIDATION <u>Commercial/Residential 1995-Present</u>	
5	NAME OF FIRM <u>Citizens Bank of Somerset</u>	TITLE <u>Vice President</u>	TYPE OF BUSINESS <u>Bank</u>
	PERSON TO CONTACT <u>Fred Aker</u>	AREA CODE & TELEPHONE NO. <u>606/679-6341</u>	
	STREET ADDRESS (City, State, Zip Code) <u>PO Box 760 Somerset, KY 42502</u>	TYPE OF PROPERTY APPRAISED, DATE & VALIDATION <u>Commercial/Residential 1997-Present</u>	
6	NAME OF FIRM <u>Union Planters Bank</u>	TITLE <u>Vice President</u>	TYPE OF BUSINESS <u>Bank</u>
	PERSON TO CONTACT <u>C.V. Hansford</u>	AREA CODE & TELEPHONE NO. <u>606/679-7451</u>	
	STREET ADDRESS (City, State, Zip Code) <u>PO Box 820 Somerset, KY 42502</u>	TYPE OF PROPERTY APPRAISED, DATE & VALIDATION <u>Commercial/Residential 1986-Present</u>	

(ATTACH ANY LETTERS OF REFERENCE OR OTHER PERTINENT EXHIBITS WHICH MAY FACILITATE APPOINTMENT)

MISCELLANEOUS

STATE REAL ESTATE OR CONTRACTOR'S LICENSES CURRENTLY HELD

General Real Property Appraiser Lic # 0615; Lic Real Estate Broker

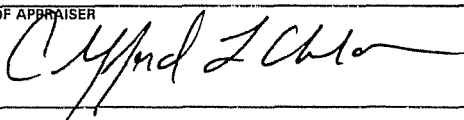
ADDITIONAL, PERTINENT INFORMATION

Associate member Pulaski County Board of Realtors

APPRAISER'S STATEMENT

THE FOREGOING IS TRUE TO THE BEST OF MY KNOWLEDGE AND BELIEF AND MAY BE INVESTIGATED THROUGH ANY OF THE SOURCES SHOWN HEREON OR THROUGH OTHER SOURCES, AS WARRANTED.

SIGNATURE OF APPRAISER



DATE

8/13/99

APPRAISER RESUME

CLIFF.RES

PERSONAL DATA

Name of Appraiser <u>Clifford L. Childers</u>	PROFESSIONAL DESIGNATIONS (Include Year Earned) General Real Property 1991
Firm Name <u>Childers Financial Services, Inc.</u>	
Business Address <u>205 Parkers Mill Road</u>	
Phone (606) <u>678-4956</u> Soc. Sec. No. <u>407-62-2121</u>	

MEMBERSHIPS

LIST MEMBERSHIPS IN PROFESSIONAL AND TECHNICAL ORGANIZATIONS RELATED TO YOUR CURRENT EMPLOYMENT ACTIVITIES, AND OFFICE(S) HELD

EDUCATION

FORMAL EDUCATION		
NAME OF INSTITUTION	DATES	TYPE OF DEGREE OR CERTIFICATE
<u>Campbellsville College</u>	<u>1967-1969</u>	<u>BA Degree</u>
<u>University of Kentucky</u>	<u>1964-1967</u>	<u>Associates Degree</u>
<u>Somerset High School</u>	<u>1960-1964</u>	<u>Diploma</u>

PROFESSIONAL AND TECHNICAL (APPRAISAL) COURSES SATISFACTORILY COMPLETED		
COURSE TITLE	DATES	SPONSORING ORGANIZATION
<u>Residential Appraising</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>Advanced Residential</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>Uniform Standards</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>URAR Appraisal Report</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>2-4 Family Income</u>	<u>1991</u>	<u>Academic Systems Institute</u>
<u>Commercial/Industrial App.</u>	<u>1991</u>	<u>Academic Systems Institute</u>

APPRAISAL CONFERENCES, SEMINARS, AND CLINICS ATTENDED DURING THE PAST THREE YEARS		
ACTIVITY	DATES	SPONSORING ORGANIZATION
<u>1999 USPAP Update</u>	<u>Jan 1999</u>	<u>KREAB</u>
<u>Income Capitalization</u>	<u>Mar 1999</u>	<u>Wilson Educational Group</u>
<u>HP 12c Financial Calculator</u>	<u>Jun 1999</u>	<u>Wilson Educational Group</u>
<u>FHA Appraising</u>	<u>Sep 1997</u>	<u>FHA Single Family Branch</u>
<u>Course 8.3</u>	<u>Feb 1996</u>	<u>Independent Fee Appraisers</u>

EMPLOYMENT HISTORY

BEGINNING WITH PRESENT EMPLOYMENT, LIST CHRONOLOGICALLY ALL EMPLOYMENT RELATED TO APPRAISING FOR THE PAST FIVE YEARS.				
NAME AND ADDRESS OF EMPLOYER (INDICATE IF SELF-EMPLOYED)	BUSINESS TITLE	PRINCIPAL DUTIES	DATES	% OF TIME DEVOTED TO APPRAISING
<u>Childers Financial</u>	<u>General Real</u>	<u>Commercial &</u>	<u>1986-</u>	
<u>Services, Inc.</u>	<u>Property</u>	<u>Residential App</u>	<u>present</u>	<u>100</u>
<u>First & Farmers Bank</u>	<u>Public Relatio</u>	<u>Public Relations</u>	<u>1985-</u>	<u>100</u>
	<u>Officer</u>		<u>1986</u>	

EXPERIENCE SUMMARY

GIVE APPROXIMATE NUMBER AND DOLLAR AMOUNT OF EACH DIFFERENT TYPE OF APPRAISAL REPORT PREPARED FOR CLIENTS, GOVERNMENTAL AGENCIES OR LENDERS IN THE PAST FIVE YEARS.					
TYPE	EXISTING CONSTRUCTION	PROPOSED CONSTRUCTION	TYPE	EXISTING CONSTRUCTION	PROPOSED CONSTRUCTION
SINGLE FAMILY DETACHED DWELLINGS	<u>2000</u>	<u>800</u>	APARTMENTS (21 or more living units)		
CONDOMINIUMS	<u>100</u>		SUBDIVISIONS		<u>5</u>
PLANNED UNIT DEVELOPMENTS			COMMERCIAL	<u>175</u>	<u>50</u>
DWELLINGS (2 to 4 living units)	<u>50</u>	<u>15</u>	INDUSTRIAL	<u>40</u>	<u>25</u>
APARTMENTS (5 to 20 living units)	<u>5</u>		LAND (finished lots, raw land)	<u>400</u>	
OTHER			OTHER <u>Farms</u>	<u>100</u>	

GIVE NUMBERS OF APPRAISAL REPORTS PREPARED IN THE PAST TWO YEARS FOR THE FOLLOWING:		
1. INSTITUTIONAL INVESTORS <u>0</u>	2. GOVERNMENTAL AGENCIES <u>Pulaski Circuit Court</u> <u>Rockcastle Circuit Crt</u>	3. PRIVATE MORTGAGE INSURERS <u>0</u>

BRIEFLY DESCRIBE REVIEW APPRAISING EXPERIENCE.
Desk Review and Field Review using forms 2000, 2002, 2004, 2006, and Commercial Review form 4002.

APPRAISAL ACTIVITY AREA

DEFINE THE AREA OF YOUR APPRAISAL ACTIVITY, LIST CITIES OR COUNTIES.
<u>Pulaski, Rockcastle, Madison, Laurel, Whitley, McCreary, Lincoln, Adair, Wayne, Clinton, Cumberland, Metcalfe, Barren & Boyle Counties.</u>

Kentucky Real Estate Appraisers Board

2002-03

Hereby grants a

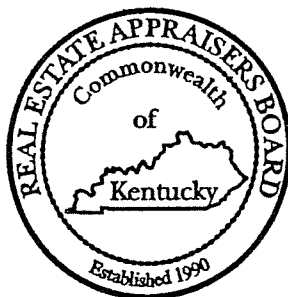
Certified General Real Property Appraiser
Certificate

License No⁰⁰⁰⁶¹⁵

To

Clifford L. Childers
Childers Financial Svcs. Inc.
205 Parkers Mill Rd.
Somerset, KY 42501-3151

who has complied with the provisions of Chapter 324A of the Kentucky Revised Statutes IN WITNESS
WHEREOF, we have caused the official seal to be affixed and attested for the year shown above.



George K. Cox, Chairman
Judy Walters, V. Chairman
Jed Deters
Carol Dupont
Maxine Smith

Control No¹⁵⁵²⁴

June 30, 2003

THIS CERTIFICATE EXPIRES

Tract in The Oaks Development Off Hwy 27 Whitley City, Kentucky

Allen Anderson
CEO
South Kentucky RECC
925 N Main Street
Somerset, Kentucky



COMPLETE APPRAISAL SUMMARY REPORT

**Childers Financial
Services, Inc.**
205 Parkers Mill Road
Somerset, Kentucky

Phone: 606/678-4956

Fax: 606/679-8742

E-Mail

cfsappraisers@earthlink.net

The following is a
Summary Report
of a
Complete Appraisal
of
Tract in the Oaks Development
for
South Kentucky RECC
Off Hwy 27
Whitley City, Kentucky
as of the
16th day of January 2004

CFS

Childers' Financial Services, Inc.

205 Parkers Mill Road
Somerset, Kentucky 42501

Telephone 606/678-4956
e-mail mark_vaught@charter.net

13 October 2005

Mr. Allen Anderson
Chief Executive Officer
South Kentucky Rural Electric Co-Op Corporation
925-929 N Main Street
PO Box 910
Somerset, KY 42502

RE: Whitley City Property

Dear Allen;

This is in regards to our conversation of the 12th of October 2005. Follows are two sales, one off US 27, and the other being the latest sale of Comp # 4 & 5 used in the report.

The BLWW sale is next to the Skateland tract and was purchased by the same group who purchased the Skateland. The Skateland property is/has been remodeled into Doctor's Offices. This tract was improved with a double-wide mobile home that has been moved offsite.

The other sale is the sale of the Pizza Inn/Long John Silvers tract. The Bank of McCreary County repossessed the property and has since sold the land to a development company who is in the process of building an Advance Auto store on the site. The tract contains 1.83 acres, but a portion lays over the rear slope and is unusable.

If you need anything else, please don't hesitate to call me at 606/678-4956.

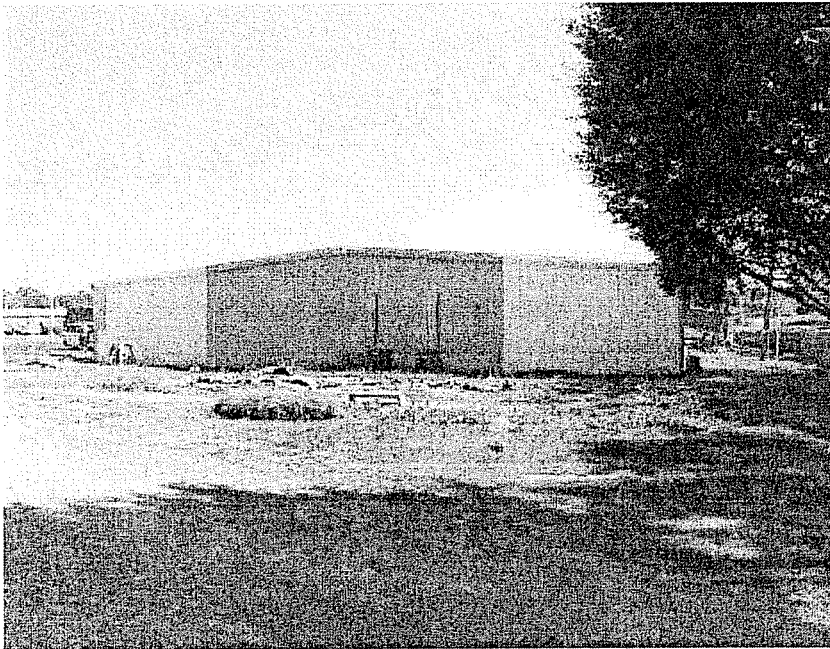
Sincerely,

Mark H. Vaught
General Real Property Appraiser # 2271

Attachment
BLWW Sale
Advance Auto Sale
Map

Land Sale

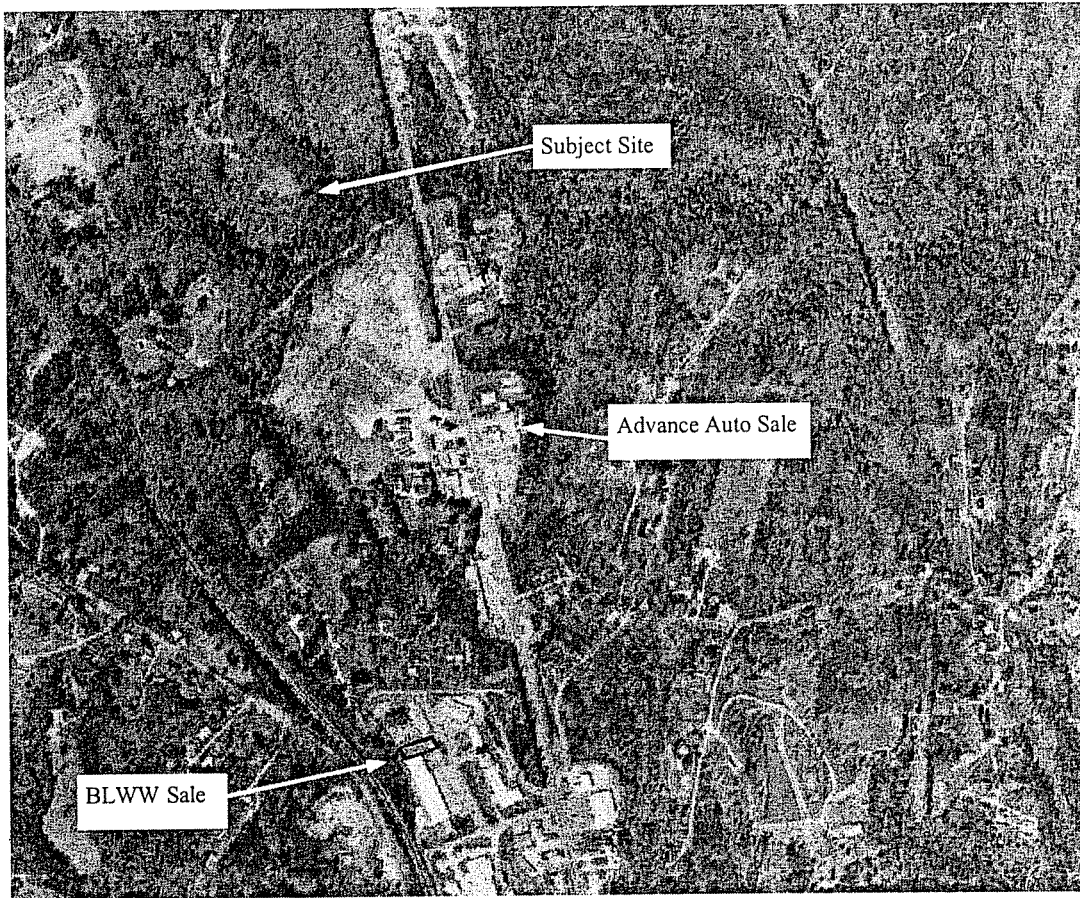
Grantor:	John P. Jones & Ruth Ann Jones
Grantee:	BLWW, LLC
Date of Sale:	10/27/04
Sales Price:	\$70,000.00
Size of Tract:	0.403 Acres
\$ Per Acre:	\$173,697.27/Acre
Location:	Southfork Plaza
Improvements:	Double Wide Trailer-Moved
Data Source:	Deed Book 170 Page 690, PVA & Site Visit



This tract is in the Southfork Plaza and was purchased with the building/tract in the background. The doublewide has been moved of the site.

Land-Sale

Grantor:	Bank of McCreary County
Grantee:	JMP Development Company, LLC
Date of Sale:	9/23/05
Sales Price:	\$300,000.00
Size of Tract:	1.83 Acres
\$ Per Acre:	\$163,934.43/Acre
Location:	US 27
Improvements:	Vacant at time of Sale
Data Source:	Deed Book 174 Page 074, PVA &



Appraisal Summary

Subject Address:..... Off Hwy 27
City:..... Whitley City
County:..... McCreary
State:..... Kentucky
Zip Code:..... 42653

Cost Approach Value:..... Not Utilized
Income Approach Value:..... Not Utilized
Sales Comparison Approach Value:.....\$ 650,000

Client:..... South Kentucky RECC
Contact:..... Allen Anderson

Appraiser:..... Mark H. Vaught
Date of Appraised Value:... 16 January 2004
Final Estimate of Value:..\$ 650,000

Childers' Financial Services, Inc.

205 Parkers Mill Road
Somerset, Kentucky 42501

Telephone 606/678-4956
Fax 606/679-8742
E-Mail cfsappraisers@earthlink.net

16 January 2004

Mr. Allen Anderson
Chief Executive Officer
South Kentucky Rural Electric Co-Operative Corp.
PO Box 910
925 N Main Street
Somerset, Kentucky 42503

RE: Tract in The Oaks Development (Blue Ridge Home Tract)
Off US Hwy. 27
Whitley City, KY 42653

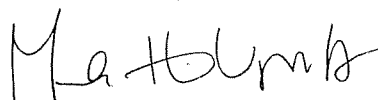
Dear Allen:

In accordance with your request, I have personally visited the above referenced property on the 16th day of January 2004. The purpose of the site visit was to appraise the property in order to estimate the fair market value of the subject as though available for fee simple purchase as of the 16th day of January 2004. The value of the 4.33-acre tract, as of the 16th day of January 2004, as though fee simple, is:

Six Hundred Fifty Thousand Dollars
(\$650,000)

The following report represents, in detail, the appraisal and analysis of the data along with other materials upon which the estimate of value is predicated.

Respectfully submitted,



Mark H. Vaught
General Real Property
Appraiser # 2271

Appraisal Report

- I. Subject Property:** The subject property is an unimproved tract of land on the west side of US 27. It is a lot in The Oaks Development. The tract contains 4.33 acres.
- II. Improvements:** Subject site is unimproved.
- III. Cost Approach:** Not Applicable
- IV. Income Approach:** Not Utilized
- V. Sales Comparison Approach:**
Fee Simple Value 4.33-acre tract: \$650,000
- VI. Final Estimate of Value:**
Fee Simple Value 4.33-acre tract: \$650,000
- VII. Date of Appraisal:** 16 January 2004

**VIII. Type of Appraisal:
Type of Report:**

Complete Appraisal
Summary Appraisal Format

IX. Intended Use:

To determine the market value of the fee simple values of the tract for negotiation purposes.

X. Intended User:

Allen Anderson
CEO
South Kentucky Rural Electric Co-operative Corporation
is the intended user specified in the report, along with any persons, consultants and/or state or federally instrumentality so entitled or with whom they wish to distribute the report to in the acquiring of the tract

XI. Appraisers:

Mark H. Vaught
Appraiser

Property Rights Appraised

The property rights herein appraised are leasehold interest. Fee simple ownership is defined as the best and highest level of ownership in real property. A Leasehold estate is the rights conveyed by the landlord (Loudermilk) to a tenants (R. G. Stephens, Inc.). One of the key values herein reported is based on the terms of the lease and the income stream that is produced by the lease. When such leases are in place, for a long term, the value of a property in regards to the leased fee estate is restricted basically to the income the lease produces.

The subject property is appraised assuming it to be free and clear with no encumbrances, encroachments, or restriction violations affecting the property. The subject area is in an area which is presently not zoned. The immediate area is moderately commercialized and the proposed use would compliment the neighborhood.

Scope of Appraisal

The scope of this appraisal will be to estimate the market value in an "as is " condition as of the date of site visit, the 16th of January 2004.

To reach this valuation, the scope includes the following.

1. A site visit of the property. We/I do not warrant the structural integrity of existing structure(s), but unless otherwise noted, it is assumed to be of sound construction with all mechanical, plumbing and electrical systems in good working order. It is assumed that all proposed structure(s) will be constructed in a manner to pass all necessary building codes.
2. A search of the public record relative to the subject. This search encompasses, among other things, tax and assessment information, easement(s), both private as well as public, deed restrictions, zoning, conditional uses, variances, history of the property, etc.
3. A summary of neighborhood and regional area characteristics.
4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.
5. Research of public record for comparable sales and listings. Telephone verification, where possible, of all sales and listing with the buyer, seller or their representatives. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning and highest and best use.
6. The three recognized approaches to value, cost, Sales Comparison and Income, will be developed unless sufficient supporting data is not available or the nature of this assignment precluded application of any approach.
7. The preparation of a narrative appraisal report in compliance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraiser has met the competency provision as required by USPAP and is capable of completing the appraisal assignment competently.

The estimate of market value will be reported as a complete appraisal using a summary appraisal report as defined by the Uniform Standards of Professional Appraisal Practice (Standards Rule 2-2(b) of a complete or limited appraisal under Standard 1).

Purpose of the Appraisal & Definition of Market Value

The purpose of this appraisal is to estimate the market value of the subject property for negotiation purposes, for Allen Anderson, CEO, South Kentucky Rural Electric Co-Operative Corporation, as of the 16th day of January 2004. (This appraisal is completed following the guidelines of the Uniform Standards of Professional Appraisal Practice) For the purpose of this report, market value is defined as the most probable price, which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised , and each acting in what he considers his own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparable sales must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered lay a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

Statement of Limiting Conditions

Contingent And Limiting Conditions: The appraiser's certification that appears in the appraisal report is subject to the following conditions:

- The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it. The appraiser assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.
- The appraiser has provided a sketch in the appraisal report to show approximate dimensions of the improvements and the sketch is included only to assist the reader of the report in visualizing the property and understanding the appraiser's determination of its size.
- The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in the appraisal report whether the subject site is located in an identified Special Flood Hazard Area. The map can be found in the Site Analysis Chapter. **Because the appraiser is not a surveyor, he or she makes no guarantees, expressed or implied, regarding this determination.**
- The appraiser will not give testimony or appear in court because he made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand.
- The appraiser has estimated the value of the land in the cost approach at its highest and best use and the improvements at their contributory value. These separate valuations of the land and improvements must not be used in conjunction with any other appraisal and are invalid if they are so used.
- The appraiser has noted in the appraisal report any adverse conditions (such as, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the site visit to the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, expressed or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. **Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property. The appraisal is done under the assumption of no environmental contamination.**

- The appraiser obtained the information, estimates, and opinions that were expressed in the appraisal report from sources that he considers to be reliable and believes them to be true and correct. The appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
- The appraiser will not disclose the contents of the appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice.
- The appraiser has based his appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that completion of the improvements will be performed in a workmanlike manner.
- The appraiser must provide his prior written consent before the lender/client specified in the appraisal report can distribute the appraisal report (including conclusions about the property value, the appraiser's identity and professional designations, and references to any professional appraisal organizations or the firm with which the appraiser is associated) to anyone other than the borrower; the mortgagee or its successors and assigns; the mortgage insurer; consultants; professional appraisal organizations; any state or federally approved financial institution; or any department, agency, or instrumentality of the United States or any state or the District of Columbia; except that the lender/client may distribute the property description section of the report only to data collection or reporting service(s) without having to obtain the appraiser's prior written consent. The appraiser's written consent and approval must also be obtained before the appraisal can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.

Appraiser's Certification

Appraiser's Certification: As required by Standards Rule 2-3

The Appraiser certifies and agrees that:

- I have taken into consideration the factors that have an impact on value in my development of the estimate of market value in the appraisal report. I have not knowingly withheld any significant information from the appraisal report and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct.
- I stated, in the appraisal report, only my own personal, impartial, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the contingent and limiting conditions specified in this form.
- I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or the estimate of market value in the appraisal report on the race, color, religion, sex, handicap, familial status, or national origin of either the prospective owners of the subject property or of the present owners or occupants of the properties in the vicinity of the Subject property.
- I have no present or contemplated future interest in the subject property, and neither my current or future employment nor my compensation for performing this appraisal is contingent on the appraised value of the property.
- I was not required to report a predetermined value or direction in value that favors the cause of the client or any related party, the amount of the value estimate, the attainment of a specific result, or the occurrence of a subsequent event in order to receive my compensation and/or employment for performing the appraisal. I did not base the appraisal report on a requested minimum valuation, a specific valuation, or the need to approve a specific mortgage loan.
- I performed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place as of the effective date of this appraisal, with the exception of the departure provision of those Standards, which does not apply. I acknowledge that an estimate of a reasonable time for exposure in the open market is a condition in the definition of market value and the estimate I developed is consistent with the marketing times of commercial properties in the Market Area.
- I have personally inspected the interior and exterior areas of the subject property and the exterior of all properties listed as comparable sales in the appraisal report. I further certify that I have noted any apparent or known adverse conditions in the subject improvements, on the subject site, or on any site within the immediate vicinity of the subject property of which I am aware and have made adjustments for these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them. I have also commented about the effect of the adverse conditions on the marketability of the subject property.

- I personally prepared all conclusions and opinions about the real estate that were set forth in the appraisal report. If I relied on significant professional assistance from any individual or individuals in the performance of the appraisal or the preparation of the appraisal report, I have named such individuals and disclosed the specific tasks performed by them in the reconciliation section of this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the report; therefore, if an unauthorized change is made to the appraisal report, I will take no responsibility for it.
- I have no bias with respect to the property that is subject of this report or to the parties involved with this assignment.

Appraiser:

Signature: Mark H. Vaught
Mark H. Vaught

Date Signed: 1-16-04

State Certification #: 2271

State: KY

Expiration Date of License: 6/30/04

Identification of Property

Owner:

Larry Loudermilk, Jr. &
Loraine Loudermilk, his wife

Lessor:

R. G. Stephens, Inc.
Now assigned to
Stephens Family, LLC

Lessor's Mailing Address:

PO Box 369
Whitley City, 42653

Property's Postal Address:

US 27
Whitley City, KY 42653

Person Contacted:

Mr. Rick Stephens
Principal,
R. G. Stephens, Inc.

Date of Contact:

16 January 2004

Sales History:
(Three Year Minimum)

The appraised parcel is not listed for sale. It is a portion of the lands leased to R. G. Stephens, Inc. by unrecorded lease dated the 1st day of August, 1998 by and between Larry Loudermilk, Jr. and Loraine Loudermilk, his wife. A

Memorandum of Lease, dated the 1st day of August 1998, is recorded in Lease Book 15 Page 735. The term of the lease is 99 years.

This being a part of the lands conveyed to Larry Loudermilk, Jr. by Deed dated the 1st of October, 1983, by and between Bernice Stephens, a widow, and of record in Deed Book 104 Page 077.

R. G. Stephens, Inc. has assigned the leases to Stephens Family, LLC by unrecorded assignment dated January 1, 2002.

All deeds and memorandum of leases referenced above are located in the McCreary County Court Clerks Office, Kentucky.

Assessed Value:

Part of other tracts

Zoning:

None

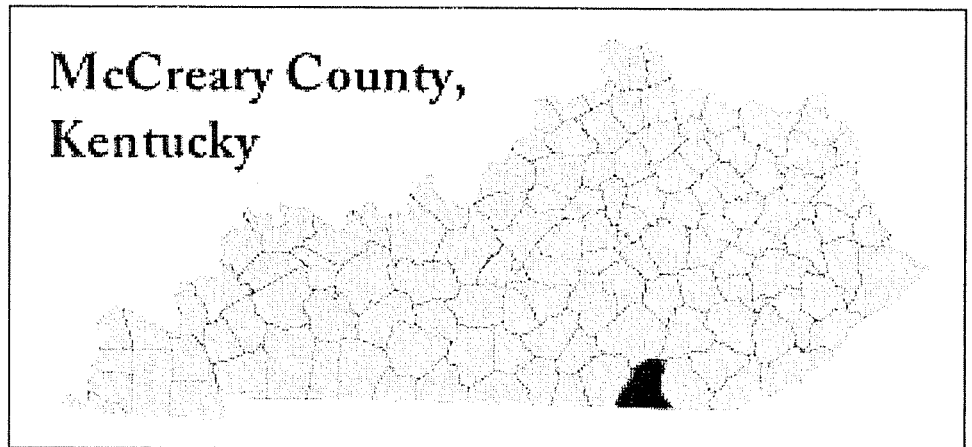
Census Tract:

9603.00

Map Reference:

147-McCreary County

McCreary County covers a land area of 427 square miles in the Eastern Coal Fields Region of Kentucky. The county is situated in the southern portion of the Daniel Boone



National Forest. According the federal forest service, 10 million board feet of lumber will be produced in McCreary County in 1990. McCreary County had an estimated population of 16,100 persons in 1988. Whitley City, the county seat, is located 92 miles northwest of Knoxville, Tennessee; 161 miles southeast of Louisville, Kentucky; 107 miles south of Lexington; and 186 miles south of Cincinnati, Ohio. Stearns is approximately three miles south of Whitley City, and Pine Knot is approximately five miles south of Whitley City.

The Economic Framework - The total number of McCreary County residents employed in 1989 averaged 3,415. In 1988, manufacturing firms in the county reported 473 employees; wholesale and retail trade provided 319 jobs; 185 people were employed in service occupations; state and local government accounted for 564 employees; contract construction firms provided 46 jobs; and 63 people were employed by mining and quarrying operations.

Labor Supply - There is a current estimated labor supply of 32,464 persons available for industrial jobs in the labor market area. In addition, from 1990 through 1994, 12,288 young persons in the area will become 18 years of age and potentially available for industrial jobs.

Transportation - Whitley City and Pine Knot are directly served by US Highway 27. Stearns, which is served by KY Highway 92 and 1651, is located one mile from US 27. Interstate 75 can be accessed 21 miles east of Pine Knot via KY 92. The Cumberland Parkway is located 31 miles north

of Whitley City via US 27. Eleven common carrier trucking companies provide interstate and/or intrastate service to McCreary County. The Norfolk Southern Corporation provides rail service to McCreary County. Stearns is also served by the Kentucky and Tennessee Railway. The nearest scheduled commercial airline service is available at McGhee Tyson Airport in Knoxville, Tennessee, 102 miles southeast of Whitley City, and at Bluegrass Airport near Lexington, Kentucky, 110 miles north of Whitley City. The McCreary County Airport, located four miles northeast of Pine Knot, provides facilities for small aircraft.

Power and Fuel - Kentucky Utilities Company provides electricity to Whitley City, Stearns and Pine Knot, in addition to a small portion of McCreary County. A major portion of the county is served by South Kentucky Rural Electric Cooperative, whose source of power is East Kentucky Power Cooperative. The Cumberland Valley Rural Electric Cooperative Corporation also serves a small portion of southeastern McCreary County. Natural gas is not currently available in McCreary County.

Education - Primary and secondary education is provided by the McCreary County School System. Thirteen institutions of higher learning are located within 95 miles of Whitley City. Vocational training is available at the Somerset State Vocational-Technical School at Somerset, 31 miles north of Whitley City. The nearest Area Vocational Education Center is located in Monticello, 32 miles west of Whitley City. In addition, the Pine Knot Civilian Conservation Center, a unit of the Job Corps training program, is located in Pine Knot.

Highways - Whitley City and Pine Knot are served directly by US 27 a "AAA"-rated (80,000-pound gross load limit) trucking highway. Stearns, which is served by KY 92, a "AA"-rated (62,000-pound gross load limit) trucking highway is located one mile from US 27. Interstate 75 is accessible 21 miles east of Pine Knot via KY 92. The Cumberland Parkway, an east-west toll road, is located 31 miles north of Whitley City via US 27.

Truck Service - Eleven trucking companies provided interstate and/or intrastate trucking

service to Whitley City. One trucking firm specializes in heavy equipment hauling.

Rail - Main line rail service is provided to Whitley City, Stearns, and Pine Knot by Norfolk Southern Corporation. Stearns is also served by Kentucky and Tennessee Railway. The nearest piggyback facilities area maintained by Norfolk Southern at Knoxville, 92 miles south of Whitley City.

Air - The McCreary County Airport Board recently received \$275,000 from the Kentucky Office of Aeronautics to pave the runway and taxi way and construct aprons for 11 tiedowns. Plans to construct an administration buildings have also been made. The nearest scheduled commercial airline service is located at McGhee Tyson Airport, 102 miles southeast of Whitley City, in Knoxville, Tennessee, and at Bluegrass Airport, 110 miles north of Whitley City, in Lexington, Kentucky.

Electricity - McCreary County electrical service is provided by Kentucky Utilities Company and South Kentucky Rural Electric Cooperative Corporation. There is also a small portion of southeastern McCreary County served by Cumberland Valley Rural Electric Cooperative Corporation.

Natural Gas - Natural Gas service is available in portions of McCreary County. IT is provided by Citipower, LLC.

Water - The McCreary County Water District is currently implementing improvement projects at the filtration plant which will increase McCreary County's water treatment capacity to 1.5 million gallons per day.

Sewerage – Sanitary Sewage is available to portions of McCreary County. The McCreary County Water District oversees the operation of the sewage treatment plant and the extension of the lines.

Local Government - The communities of Whitley City, Stearns, and Pine Knot are unincorporated urban areas. McCreary County is served by a county judge/executive and four magistrates, all of which are elected to four-year terms.

There is no planning and zoning commission in McCreary County at the present time.

State and Local Property Taxes - All property in Kentucky, except items exempted by the

state constitution, is taxed by the state. Property which also may be taxed by local jurisdictions includes land and buildings, finished goods inventories, automobiles, trucks, office furniture and office equipment. Local taxing jurisdictions in Kentucky include counties, cities, and schools districts.

All property in Kentucky is assessed at 100 percent of cash value.

Education - There are thirteen (13) institutions of higher learning are located within 95 miles of Whitley City. Several college level courses, such as Business, English, Math, Computers and Economics, are held in McCreary County through an off campus program of the Somerset Community College. Approximately 500 McCreary County residents are enrolled in these classes which are held at McCreary County Central High Schools and Whitley City Middle School.

McCreary County officials have begun an application process to the University of Kentucky Community College System to establish a satellite of the Somerset Community College in McCreary County.

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from the entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills Corporation is the primary source for skills training assistance for a

new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

Other Local Facilities - There are seven (7) physicians with practices located in McCreary County. There are also four (4) dentists. The nearest hospital facilities are Columbia Regional Hospital, located 31 miles north of Whitley City in Somerset, and Scott County Hospital, located 20 miles south of Whitley City, in Oneida, Tennessee. Other medical facilities and services include Winchester, Patton and Burgess Professional Service Corporation, McCreary Christian Care Center, McCreary County Health Center, McCreary County Ambulance Service, Cumberland Manor Rest Home, Inc., and McCreary County Health Care Facility.

Banking services are provided by the Bank of McCreary County and McCreary National Bank. The McCreary County Record is the local newspaper. Telephone service is furnished by Highland Telephone Cooperative, Inc.

Recreation - Recreational opportunities abound throughout McCreary County, ranging from indoor activities to rugged outdoor adventures. The McCreary County Park, just south of Whitley City, offers a swimming pool, three baseball/softball fields, two basketball courts, a picnic area, a shelter, a children's playground, hiking and fitness trails, and a community building.

The 4-H Camp, in eastern McCreary County, has an overnight lodge, a horse show ring and a picnic shelter.

The Stearns Golf Course is a semi-private, nine-hole golf course with a swimming pool and lighted tennis court on the premises. The Stearns Gold Course is rated among the best nine-hole golf courses in the southeastern United States by the Professional Golfers' Association of America. Limited food facilities are also available.

Recreational facilities at McCreary County schools include baseball fields, a football field, track and gymnasiums.